

MONTHLY REVENUE REPORT

January 2003

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.89 billion in January 2003, which was down 1.2% from last year's level. This marks the 10th time in the past 12 months that tax collections have fallen below the year-ago level. Taxes posting an increase in January included use, tobacco, insurance, State education property, real estate transfer, and oil and gas severance taxes. These increases were more than offset by decreases in the income, sales, single business, and estate taxes. January collections mark the end of the first quarter of FY 2002-03, and tax collections during this period were down 1.8%. Given the weak level of economic activity during the fourth quarter of 2002, this decline in revenue was anticipated and included in the consensus revenue estimates that were adopted on January 14, 2003. However, in order to hit the new consensus revenue estimates for FY 2002-03, the level of economic activity, and tax collections, will have to top year-ago levels, particularly in the late spring and summer of 2003.

Gross income tax collections totaled \$806 million in January 2003, which was down 2.4% from the year-ago level. Even though collections fell in January, income tax collections did include some encouraging developments. First, income tax collections withheld from workers' paychecks were up 0.9% in January. This marked the fourth time in the past six months that income tax withholding payments topped the previous year's level. Second, although quarterly payments were down 11.8%, these collections had been projected to be down by an even greater amount due to recent economic and stock market activity. On a fiscal year-to-date basis, gross income tax collections are down 1.6%.

Sales tax receipts totaled \$543 million in January 2003, which was down 3.3% from last year's level. Based on a three-month moving average, which helps smooth out the sometimes volatile fluctuations in monthly collections, sales tax receipts were down 2.3% in January. Sales tax collections from motor vehicle transactions were down 0.6% from the year-ago level, and sales tax collections from all other taxable retail transactions were down 3.8% in January. During the first quarter of FY 2002-03, sales tax collections were down 2.3%.

Single business tax collections declined 13.3% in January to \$196 million. This marks the second consecutive monthly decline in these business tax payments after they increased in four of the previous five months. During the first three months of FY 2002-03, single business tax collections were down 3.9%.

Insurance tax collections jumped 65% to \$34 million in January. Insurance tax collections have been on an upward trend during the past 12 months, largely due to industry-wide increases in premiums due in part to the increased threat of terrorism. During the first quarter of FY 2002-03, insurance tax revenue was up 64.5%.

Tobacco tax revenue totaled \$71 million in January, which was up 49.1% from last year. This large increase reflects the increase in the tax rate. The cigarette tax is currently \$1.25 per pack compared with \$0.75 per pack last year at this time. During the first quarter of FY 2002-03, tobacco tax revenue was up 46.1%, which is on target with the consensus revenue estimate for FY 2002-03.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for January 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2002-03 consensus revenue estimates adopted at the January 2003 Consensus Revenue Estimating Conference.

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MICHIGAN REVENUE UPDATE
JANUARY 2003
(dollars in millions)

Type of Revenue	January Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$638.9	0.9%	\$1,749.8	(0.3)%	\$6,448.0	0.8%
Quarterly Payments	161.3	(11.8)	212.5	(8.5)	525.8	(17.1)
Annual Payments	6.1	(37.8)	16.1	(29.4)	383.1	(24.7)
Gross Income Tax	\$806.3	(2.4)%	\$1,978.4	(1.6)%	\$7,356.9	(2.5)%
Sales Tax	543.2	(3.3)	1,650.2	(2.3)	6,604.1	2.5
Motor Vehicles	83.3	(0.6)	223.1	(15.2)	---	---
All Other Sales Tax	459.9	(3.8)	1,427.1	0.0	---	---
Use Tax	100.9	1.6	293.0	(14.5)	1,335.2	2.2
Tobacco Tax	71.4	49.1	217.9	46.1	867.9	29.3
Single Business Tax	195.7	(13.3)	469.0	(3.9)	1,951.4	(1.6)
Insurance Tax	33.5	65.0	65.3	64.5	245.0	7.9
State Education Property Tax	107.8	14.1	244.0	(13.4)	2,111.2	33.3
Real Estate Transfer Tax	17.9	34.6	58.4	0.2	253.0	0.0
Estate/Inheritance Tax	12.7	(50.8)	28.5	(34.0)	79.5	(39.3)
Oil & Gas Severance Tax	6.1	117.9	11.6	90.2	35.0	14.0
Total	\$1,895.5	(1.2)%	\$5,016.3	(1.8)%	\$20,839.2	3.3%
Addendum:						
Gross Lottery Sales ⁴⁾	\$124.9	0.6%	\$543.4	3.7%	\$1,733.5	2.7%
Net Lottery to School Aid ⁴⁾	\$ 44.7	7.2%	\$195.0	2.0%	\$613.0	(0.1)%

1) Total collections are unadjusted cash collections unless otherwise noted.

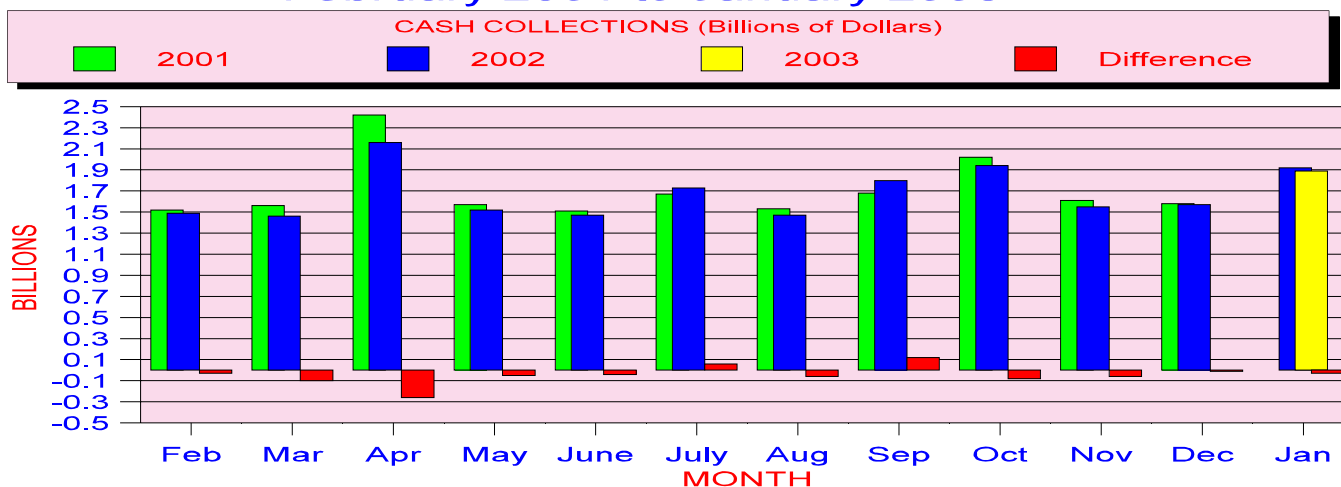
2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.

3) Revenue estimates adopted at the January 14, 2003, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

Note: January lottery data are preliminary.

Actual Revenue Collections for 12 Major State Taxes*
February 2001 to January 2003



*Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.